



Northwest Region  
International Banking  
FIOR, T-19

Interoffice Correspondence

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Date: **October 3, 1995**

From: **Kip Acheson**

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Subject: **San Francisco Meeting**

Listed below are the particulars for the upcoming meeting:

Date: **October 10, 1995**  
Time: **9:30 AM - 4:00 PM**  
Location: **23rd Floor**  
**345 California Street**  
**San Francisco, CA**

#### **Agenda**

9:30      Coffee  
9:45      Introductions  
10:00     Brief Overview      (ECC)  
10:15     Operational System Review (ECC)  
          • Systems Design  
          • Operational Flows  
          • Credit Controls  
          • Reports  
          • Pricing  
12:00     Lunch (In-house)  
12:30     FI Cash Management (FI)  
1:00      Open Discussion  
          • Benefits of joint program  
          • Form of potential relationship  
          • Marketing issues  
3:00      Break  
3:30      Wrap-up -- Next step

# Agenda

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- Introduction
- Brief Overview of ECC
- Operational Systems Review
- Bank Services Available (control accounts, cash management, foreign payments/remittances, etc.)
- Benefits of Joint Program
- Form of Potential Relationship
- Marketing Issues



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# Operational Systems Review

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## ECC's Primary Operational Objectives

- Provide efficient delivery of export financing and receivable administration services to small and medium-size exporters.
- Organize export finance documentation to meet credit insurer's policy mandates.
- Provide instant access to documentation through electronic imaging and computerized document management systems.
- Create an extensive exporter/buyer/documentation database for marketing, administration and management information purposes.



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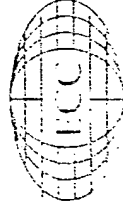
# Operational Systems Review

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## Systems Design

- ECC is developing an integrated PC based system to provide comprehensive export finance administrative services to fill the needs of:
  - Exporters
  - Banks/Lenders
  - Insurers
  - Investors in Securitized Assets
- The system is designed around multiple integrated data files:
  - Exporter Information
  - Foreign Buyer Information
  - Insurance Policy Information
  - Buyer Purchase Orders
  - Invoice Information
  - Financing Requests
  - A/R Tracking and Remittances
  - Claims information
  - Shipment Information and Documentation Capture



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# Operational Systems Review

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## Operational Flows

**System uses modules to process information supplied by exporters:**

- Prequalification of exporter and foreign buyers.
- Creation of application to insurer.
- Upon issuance of insurance, set-up exporter's credit limit, foreign buyer sub-limits and other policy parameters.
- Exporter enters preliminary buyer orders which will be tested against controls and limits established by ECC.
- Shipment information is entered by exporter and confirmed by ECC against archived shipping documents.
- Final invoice information is entered.
- Exporter requests financing by invoice, ECC verifies invoices are eligible for financing.
- ECC tracks all foreign receivables through collection.



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## Credit Controls Built into ECC's System:

- Exporters and buyers are pre-qualified.
- All orders/invoices are tested against credit limits and other terms of policy for financing eligibility.
- ECC calculates and pays premiums to insurer.
- ECC provides reports to Bank and insurers.
- ECC captures, archives and verifies relevant shipping documents.
- ECC tracks aging and collection of receivables.
- ECC sets up early warning system to identify problems, meet reporting and other policy requirements.
- ECC responsible for claims administration process.



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## Sample of ECC Reports

- Application Tracking Report
- Exporter Credit Limit and Terms of Financing
- Policy Information Report
  - Policy Aggregate Limit
  - Foreign Buyer Sub-Limits
  - Country Limits, if applicable
  - Other Terms of Policy
- Document Checklist
- Funding Checklist
- Funding Requirement Status Report
- Eligible Shipment/Invoice List
- Shipment Report
- Premium Payment Report
- Accounts Receivable Aging
- Cash Applications Report
- Past Due Report
- Notice of Buyer Suspension
- Notice of Buyer Termination
- Claim Filing Checklist



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Assumptions included in original projections were based on ECC providing administrative services and financing.

<u>Service Fee:</u>	Average Annual	Earned on Monthly
	<u>Export Volume</u>	<u>Shipments Outstanding</u>
Small	\$2,000,000	.83%
Medium	\$6,000,000	.50%
Large	\$10,500,000	.33%

## Interest Spread:

Small	Prime + 1.0%
Medium	Prime + .5%
Large	Prime



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Modified assumptions based on ECC providing administrative services and Bank providing funding.

<u>Service Fee:</u>	Average Annual	Earned on Monthly
	<u>Export Volume</u>	<u>Shipments Outstanding</u>
Small	\$2,000,000	.50%
Medium	\$6,000,000	.33%
Large	\$10,500,000	.167%

## Interest Spread:

Small	Prime + 2.0%
Medium	Prime + 1.0%
Large	Prime



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# Benefits of Joint Program

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- Enable FIB to offer expanded trade finance to new and existing customers without need to add infrastructure, marketing and operational personnel.
- ECC's comprehensive systems will assure FIB that financed export receivables are covered by credit insurance should a claim arise.
- Joint development program will enable Bank to have input into comprehensive system, increase account relationships and other banking services.
- ECC's relationship with Lombard Investments offers the possibility of providing equity financing to qualified exporters, which can facilitate the exporter's growth and enhance lending opportunities to the Bank.



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# Form of Potential Relationship

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- Contract between ECC and FIB to provide export finance administrative services to FIB export customers.
- *limited phase*  
Begin on a ~~pilot~~ basis in California with a limited number of exporters, *many*
- *Rech*  
Use prototype computer system currently under development ~~by ECC~~.
- *Complete*  
~~Concurrently~~ develop comprehensive on-line system using knowledge gained from ~~pilot project~~ *the initial phase* with input from exporters and Bank.



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